

## Message Text

CONFIDENTIAL

PAGE 01 CAIRO 01372 131335Z  
ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 PM-05 NSC-05 SP-02 SS-15  
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FM AMEMBASSY CAIRO  
TO SECSTATE WASHDC 4200  
INFO AMEMBASSY LONDON

C O N F I D E N T I A L CAIRO 01372

E. O. 11652: GDS  
TAGS: MARR, XE, UK, EG  
SUBJ: BRITISH DEFENSE SECRETARY SIGNS ACCORD WITH AOI

REF: USDAO/CAIRO 01286 (NOTAL)

1. BRITISH DEFENSE SECRETARY FREDERICK MULLEY PAID VISIT TO EGYPT JANUARY 3 - 7, 1978. EGYPT WAS STOP ON WHAT BRITISH EMBASSY DESCRIBES AS LENGTHY OFFICIAL TRIP, WHICH INCLUDED OTHER COUNTRIES IN MIDDLE EAST (HE WENT FROM CAIRO TO AMMAN). MULLEY HAD TWO MEETINGS WITH GENERAL ABDAL-GHANI GAMASY IN GAMASY'S ROLE RESPECTIVELY AS EGYPTIAN MINISTER OF WAR AND MEMBER OF SUPREME COUNCIL OF ARAB ORGANIZATION FOR INDUSTRIALIZATION(AOI). MULLEY ALSO MET WITH PRESIDENT SADAT IN ASWAN.

2. MAJOR OUTCOME OF VISIT WAS SIGNATURE OF WHAT CAIRO PRESS CALLS "TECHNICAL COOPERATION AGREEMENT" BETWEEN HMG AND AOI. BRITISH EMBASSY DESCRIBES AGREEMENT AS ONE WHICH ATTEMPTS TO FACILITATE DEALINGS OF BRITISH COMPANIES WITH AOI. UNDER AGREEMENT, UK AGREES TO SUPERVISE QUALITY OF EQUIPMENT AND GUARANTEE TIMELY SUPPLY OF ITEMS UNDER CONTRACT. AOI UNDERTAKES (APPARENTLY FOR FIRST TIME FORMALLY) NOT TO  
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PAGE 02 CAIRO 01372 131335Z

TRANSFER BRITISH COMPANIES' TECHNOLOGY TO COUNTRIES OTHER THAN MEMBERS OF AOI. AGREEMENT CONTAINS OTHER FACILITATIVE CLAUSES FOR BRITISH COMPANIES REGARDING REDUCTION IN AMOUNT OF BANK GUARANTEES AND PERFORMANCE BONDS REQUIRED. AGREEMENT, WHICH APPARENTLY WAS BRITISH IDEA, IS NATURAL OUTGROWTH, ACCORDING TO BRITISH EMBASSY, OF ATTEMPTS BY BRITISH COMPANIES TO DEAL WITH AOI.

3. BRITISH ARE LESS FORTHCOMING WITH US REGARDING DETAILS OF COMMERCIAL ARMS DEALS CURRENTLY IN THE OFFING WITH AOI. ACCORDING PRESS JANUARY 12, BRITISH FIRM (UNNAMED) AND AOI WILL SHORTLY CONCLUDE CONTRACT FOR 250 HELICOPTERS WORTH 350 MILLION STERLING. UNDOUBTEDLY, THIS FIRST OF WHAT BRITISH HOPE IS LONG, FRUITFUL ASSOCIATION WITH AOI.

4. COMMENT: BRITISH ARE GENERALLY DOWNPLAYING AGREEMENT, ALTHOUGH CAIRO PRESS CONTINUES TO REPORT THAT AGREEMENT PAVES THE WAY FOR "MASSIVE INFLOW" OF BRITISH ARMS INTO AOI MEMBER COUNTRIES. AGREEMENT CLEARLY GIVES BRITISH COMPANIES COMPETITIVE EDGE IN SALES TO AOI.

5. AGREEMENT WITH AOI IS FIRST OF ITS KIND. OBSERVERS HERE CONTINUE TO EXPRESS DOUBT, HOWEVER, THAT THERE IS ANY WAY REALLY TO CONTROL DEALINGS WITH AOI, GIVEN ITS MULTINATIONAL CHARACTER AND ITS APPARENT LACK OF RESPONSIBILITY TO ANY ESTABLISHED AUTHORITY. BRITISH, LIKE OTHERS, ARE CONCERNED ABOUT THIS AND THEIR AGREEMENT IS ATTEMPT TO DEAL WITH REALITY OF SITUATION. WHILE NO ARMS AGREEMENT AS SUCH WAS CONCLUDED DURING MULLEY'S VISIT, CONCLUSION OF UK-AOI AGREEMENT AT THAT LEVEL HELPS CONSIDERABLY TO GIVE PRESTIGE TO AOI AT IMPORTANT MIDDLE EAST POLITICAL JUNCTURE. EILTS  
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PAGE 03 CAIRO 01372 131335Z

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## Message Attributes

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**Review Markings:**  
Sheryl P. Walter  
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